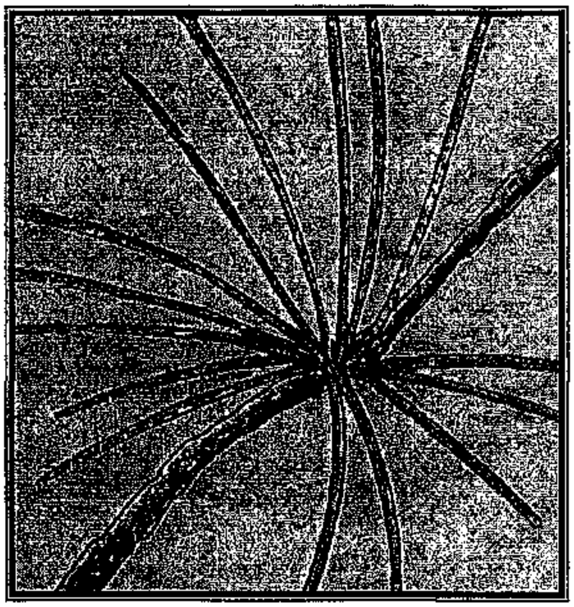
TORREY HIGHLANDS

Public Facilities Financing Plan
and Facilities Benefit Assessment
Fiscal Year 2013
DRAFT



THE CITY OF SAN DIEGO

Development Services Department
Facilities Financing

October 2012

Insert Resolution here.

Mayor

Jerry Sanders

City Council

Sherri Lightner, Council District 1
Kevin Faulconer, President Pro Tem, Council District 2
Todd Gloria, Council District 3
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Torrey Highlands Community

Two members have been added to the Rancho Peñasquitos planning board to represent the Torrey Highlands Community.

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This information will be made available in alternative formats upon request. To request a financing plan in an alternative format, call the Development Services, Facilities Financing Section, at (619) 533-3670.

Introduction

Authority

This **financing plan** implements the improvement requirements set forth in the Torrey Highlands Subarea Plan, which was originally approved by the City Council on August 5, 1996, by Resolution R-287749.

Update to Financing Plan

On May 26, 2009, by Resolution R-304935, the City Council adopted the Fiscal Year 2010 Torrey Highlands Public Facilities Financing Plan. This report is an update of the Financing Plan for Torrey Highlands.

Scope of Report

The Fiscal Year 2013 Torrey Highlands Financing Plan identifies the public facilities that will be needed over the next seven years in Torrey Highlands, during which the ultimate build out of the subarea is expected. This report also includes the revised **Facilities Benefit Assessment (FBA)** for Torrey Highlands, as required by City Ordinance O-15318. The FBA is established to provide public facilities which will benefit the Torrey Highlands subarea.

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Facilities Benefit Assessment

FBA Procedure

City Ordinance No. O-15318 (FBA Ordinance) was adopted by the City Council on August 25, 1980, to establish the procedure for implementing a Facilities Benefit Assessment (FBA). Additionally, the FBA is established, increased, imposed, and collected in accordance with the California Government Code section 66000 *et seq*. The FBA provides funding for public facilities projects that serve a designated area, also known as the **area of benefit**, which is comprised of lands that received special benefits from the construction, acquisition, and improvement of those public facilities projects. The dollar amount of the assessment is based upon the collective cost of each public facility, and is equitably distributed over the area of benefit in the Torrey Highlands planning area. For more information on the area of benefit, see Area of Benefit and Projected Land Use beginning on page 5.

Methodology of the FBA

The methodology of the FBA is as follows:

1) The FBA **Assessment Numerical List** (Assessment Lists) is prepared for where each remaining, unimproved parcel or approved map unit in the area of benefit is apportioned its share of the total assessment according to the size and anticipated use of the property. Refer to Facilities Benefit Assessment Listing description beginning on page 147 for more information on the Assessment Numerical List.

2) Liens are placed on the undeveloped or under-developed portions of the assessed parcels and final map properties within the area of benefit. The liens are filed without a specific assessment amount since the owner or developer is responsible to pay only the assessment that applies to the type and amount of development that actually occurs.

3) At the time of building permit issuance, the owner of the parcel being developed is assessed a fee that is determined by the type and size of the development permitted in accordance with the FBA assessment schedule that is in effect at the time the building permit is issued. Owners/developers are not permitted to pay liens in advance of development. FBA fees are paid directly to the Development Services Department at the time of building permit issuance.

4) Fees are collected, placed into a City interest bearing revenue account, and used within the area of benefit solely for those capital improvements and administrative costs identified in the Torrey Highlands Public Facilities Financing Plan.

Timing and Cost of Facilities

The public facilities projects to be financed by the Torrey Highlands FBA funds are shown in Table 9, beginning on page 28.
Included in the table are:

- Project title
- Fiscal year in which construction of the project is expected
- Estimated project costs
- Funding sources

Project categories include transportation improvements; water and sewer lines; neighborhood parks and recreation; fire; and libraries. Detailed descriptions of the projects, which are listed in Table 9, can be found on the project sheets beginning on page 33. The FBA also pays for the administrative costs associated with the development, implementation, and operation of the FBA program.

Expenditures

The following are three types of expenditures that may be applied against the FBA fund:

1) **Direct payments** for facility costs, including administration of the FBA funds;
2) **Credits** to developers for facilities provided in accordance with San Diego Municipal Code (SDMC) section 61.2213 of the FBA Ordinance; and
3) **Cash reimbursement** to developers for providing facilities exceeding the cost of their FBA obligation pursuant to an approved reimbursement agreement.

Therefore, whether a developer or the FBA funds provide a facility, direct payments, credits, or cash reimbursements are all treated as an expense to the FBA funds.

Areas of Benefit and Projected Land Uses

Area of Benefit

The City Council initiates proceedings for the designation of an area of benefit by adopting a Resolution of Intention. The undeveloped land areas that are within the subarea boundary of Torrey Highlands are known as the area of benefit. A Facilities Benefit Assessment is applied to the residential, non-residential, and various other land use combinations of undeveloped property. Figure 1 on page 7 shows the subarea boundary and locations of the Torrey Highlands Facilities Benefit Assessment area of benefit.

The location and extent of the area of benefit is determined by referencing the County Assessor parcel maps, current tentative subdivision maps, and from information supplied by affected property owners. This information, along with land use designation and assessment payment history, provides the data for the Inventory of Land Uses, Table 1, shown on page 6.

Projected Land Use

Residential

The anticipated residential development for Torrey Highlands is estimated at 2,692 dwelling units. A list of the types and amount of planned residential development can be found in Table 1.

Non-residential

The anticipated non-residential development for Torrey Highlands, estimated to be 103.77 acres, consists of commercial, mixed-use, employment center, and institutional. The non-residential development acreage forecast has been reduced by 3.65 acres. This is due to a reduction in the planned employment center acres resulting from right of way acquisition of 6.46 acres for SR-56, an increase in the commercial and institutional acres of 1.72 to 36.22 acres and 1.09 to 18.02 acres, respectively. A complete list of the types and amount of planned non-residential development can be found in Table 1.

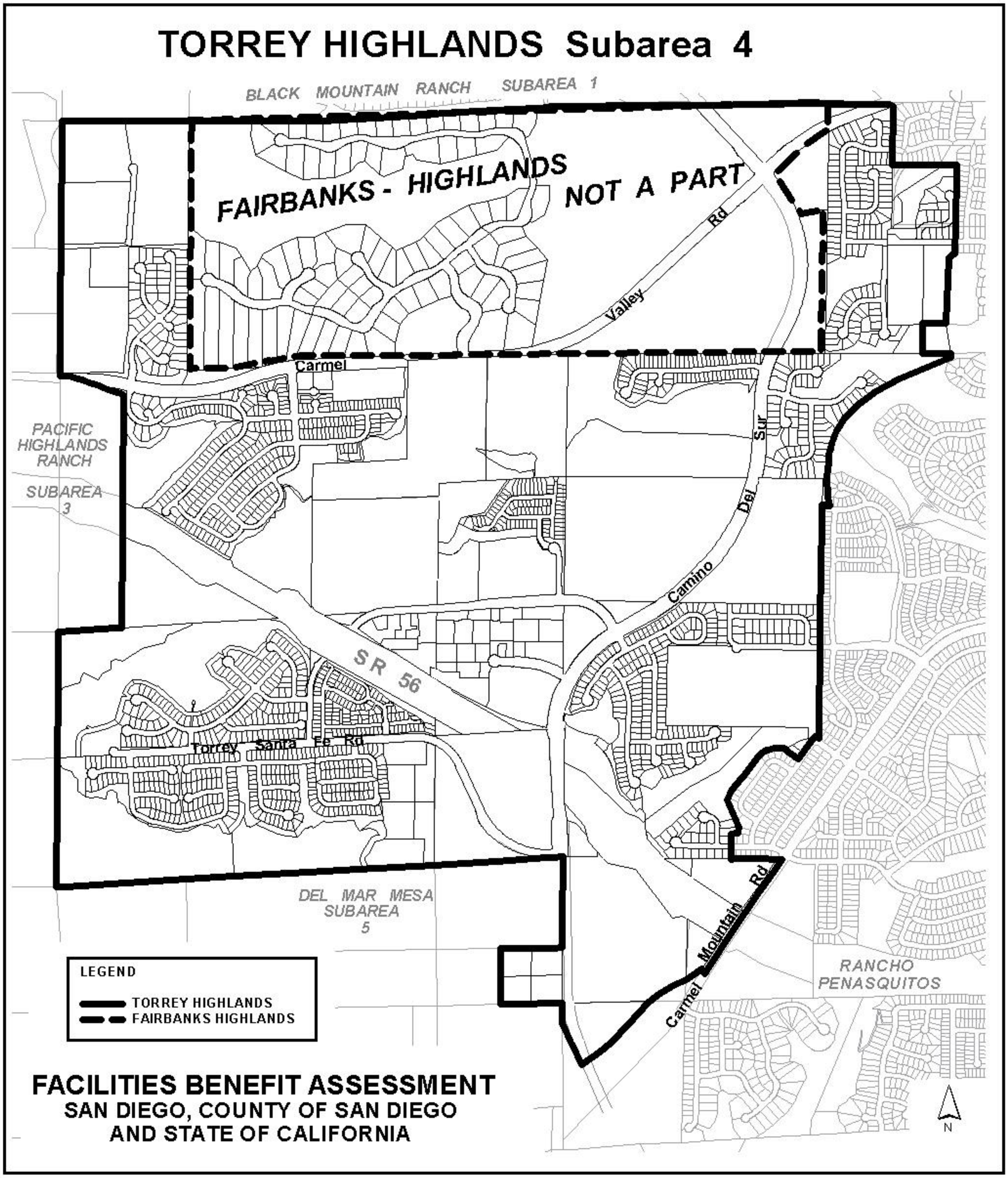
FBA fees are expected to be paid on a per-acre basis for non-residential properties. In the event a landowner desires to proceed with development of a portion of the landowner's property based on a phased development program, which is subject to a lien for the total amount of FBA as provided in SDMC section 61.2210, the landowner may obtain building permits for the development phase after paying a portion of the FBA and making provision for payment of the remainder of the FBA to the satisfaction of the Mayor. Payment of the FBA is made at the time building permits are issued.

Table 1 Inventory of Land Uses

As of June 30, 2012

Land Use	Actual	To Go	Total
Single-Family Residential Units	1,610	119	1729
Multi-Family Residential Units	721	242	963
Local Mixed Use Acres	9.60	0	9.60
Commercial Acres	1.72	34.50	36.22
Employment Center Acres	15.86	20.83	36.69
Limited Commercial Acres	3.24	0	3.24
Institutional Acres	6.93	11.09	18.02

Figure 1 Area of Benefit



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Assessments

Assessment Methodology – EDU Ratios

An **Equivalent Dwelling Unit** or **EDU** ratio has been established for the purpose of spreading the cost of public facilities between the different land use classifications. Equivalent Dwelling Unit ratios have been calculated for each category of facility to be constructed under the FBA because the relationship between land use and the degree of benefit from different public facilities can vary substantially. The single-family dwelling unit (SFDU) is the foundation for all other EDU ratios. Other land use classifications are assigned an EDU ratio per dwelling unit or acre, proportionate to the respective benefit.

Table 2 provides the EDU ratios used to prepare the Torrey Highlands Facilities Benefit Assessment.

Table 2 EDU Ratios

CATEGORY	SFDU	MFDU	LMXU	CO	CL	ECTC	INST
TRANSPORTATON	1.0	0.7	11.175	2.5	8.4	2.5	7.5
PARKS	1.0	0.7	0	0	0	0	0
FIRE	1.0	0.7	6	6	6	9	9
LIBRARY	1.0	0.7	0	0	0	0	0
WATER/SEWER	1.0	0.7	12.5	12.5	12.5	12.5	17.9

SFDU – Single Family Dwelling Unit
MFDU – Multi-family Dwelling Unit
LMXU – Local Mixed Use Acre
CO – Commercial Acre
CL – Limited Commercial Acre
ECTC – Employment Center Acre
INST – Institutional Acre

Assessment Numerical List Description

For each undeveloped map portion or parcel in the Area of Benefit, the Assessment Numerical List includes:

- Parcel number
- Name and address of the owner (according to the County Assessor's records)

- Number of dwelling units or non-residential acres to be developed (according to the highest and "best use" scenario)
- Assessment amount for each parcel.

Identification numbers in the Assessment List may be non-sequential as a result of some parcels having been omitted after assessments are paid, as ownership changes, or as parcels are subdivided. Information on ownership is listed according to the County Assessor's records at the time the Assessment List is prepared, as shown on the last equalized Assessment List, or as otherwise known to the City Clerk; or by any other means which the City Council finds reasonably calculated to apprise affected landowners (SDMC section 61.2205). The current Assessment Listing begins on page 147 of this plan. A legend, or key, for understanding the Assessment Listing is included.

A **Resolution of Designation**, when adopted by the City Council, imposes the Facilities Benefit Assessment in the form of a lien that is placed upon the undeveloped or under-developed portions of the County Assessor parcels and final map properties within the areas of benefit. The assessments are based upon the type and size of forecasted land use of the highest and "best use" scenario.

The maps, plats, and summary of the Assessment List, all of which define the areas of benefit, will be delivered to the County Recorder for official recording once the updated Public Facilities Financing Plan is approved by the City Council. Collection of the FBA is to occur at the time of building permit issuance at the Development Services Department.

Determination of Assessment Rates

Assessments are calculated and levied against each undeveloped or under-developed parcel based upon the type and size of development, which is expected to occur within the areas of benefit. The amount of the Facilities Benefit Assessment (FBA) is determined by using the following information:

- Development schedule (in dwelling units and acres)
- Composite EDU ratios for each land use designation
- Schedule of facility expenditures (in FY 2013 dollars) to be financed with monies from the FBA fund
- Annual interest rate of 3% (applied to the fund balance).
- Annual inflation rate of 4% (to determine the future costs of facilities that will be constructed).
- At the end of each fiscal year (June 30th), unpaid assessments are increased by the inflation factor.

An individual developer will pay an assessment to the FBA fund, based upon the number of units, or acres developed in a particular year. Pursuant to the terms of a reimbursement agreement with the City, a developer may be issued credits against an assessment for expenditures related to providing facilities in lieu of paying a Facilities Benefit Assessment. An approved reimbursement agreement with the City may also entitle a developer to cash from the FBA fund.

An **assessment rate** is calculated to provide sufficient money to meet the scheduled, direct payments for facilities provided by the FBA fund. The base deposit rate also considers the timing of credits and reimbursements to be paid to developers for FBA funded facilities. Table 3 lists the FY 2013 Facilities Benefit Assessment base deposit rate for Torrey Highlands.

Table 3 FY 2013 Assessment Rates for Torrey Highlands

LAND USE	ASSESSMENT per UNIT/ACRE in FY 2013
SINGLE FAMILY UNITS	$95,277
MULTI-FAMILY UNITS	$66,696
LOCAL MIXED USE ACRES	$768,888
COMMERCIAL ACRES	$574,522
LIMITED COMMERCIAL ACRES	$170,546
EMPLOYMENT CENTER ACRES	$512,467
INSTITUTIONAL ACRES	$142,916

Automatic Annual Increases

Facilities Benefit Assessments are evaluated annually and adjusted accordingly to reflect the current economic conditions. In FY 2013, the rate reflects a 26% decrease due to a revised development schedule, reduced cost escalator, and a revised construction schedule. An **inflation factor** is used to provide automatic annual increases in the assessment rate and will be effective at the beginning of each fiscal year (July 1 through June 30). The automatic increase provision is effective only until such time as the next annual adjustment is authorized by the City Council. Thereafter, the subsequent Council-approved annual adjustment will prevail.

Assessments are calculated and levied against each undeveloped or under-developed parcel based upon the type and size of development, which is expected to occur within the Area of Benefit. The Torrey Highlands FBA Schedule in Table 4, page 12, shows the projected rate of assessment for each category of land use during each year of community development. For example, the assessment for a single-family dwelling unit developed during FY 2013 is $95,277. For the same period, each multi-family unit is to be assessed $66,696. The commercial assessment is $574,522 per acre, the limited commercial assessment $170,546 per acre, the employment center assessment $512,467 per acre, the local mixed use $768,888 per acre, while each institutional acre is $142,916.

Table 4 Facilities Benefit Assessment Schedule

FISCAL YEAR	$/ SFDU	$/ MFDU	$/ LMXU	$/ CO	$/ CL	$/ ECTC	$/ INST
2013a*	$128,753	$90,130	$1,039,037	$776,381	$230,468	$692,523	$193,130
2013b*	$95,277	$66,696	$768,888	$574,522	$170,546	$512,467	$142,916
2014	$99,088	$69,364	$799,640	$597,501	$177,368	$532,964	$148,632
2015	$103,052	$72,139	$831,630	$621,404	$184,463	$554,285	$154,578
2016	$107,174	$75,024	$864,894	$646,259	$191,841	$576,456	$160,761
2017	$111,461	$78,025	$899,490	$672,110	$199,515	$599,515	$167,192
2018	$115,919	$81,146	$935,466	$698,992	$207,495	$623,493	$173,879
2019	$120,556	$84,392	$972,887	$726,953	$215,795	$648,434	$180,834
2020	$125,378	$87,768	$1,011,800	$756,029	$224,427	$674,370	$188,067

*2013a – Current rates detailed in FY2010 Public Facilities Financing Plan.
2013b - New rates applicable upon effective date of FY2013 PFFP update.

Cash Flow Analysis

The Torrey Highlands Cash Flow (Table 7), page 15, presents an analysis of the Torrey Highlands FBA. For each fiscal year during the development of the community, the cash flows show the difference between anticipated FBA revenues (including earned interest) and the expected capital improvement expenditures. Interest earnings for cash on hand are compounded and based on an estimated 3% annual return.

The City of San Diego considers historic data while predicting the effect of inflation on construction projects. The Los Angeles/San Diego **Construction Cost Index (CCI)** and the **Consumer Price Index (CPI)** for San Diego are the two indices used by the City while conducting a cash flow analysis. The historical information associated with the Los Angeles/San Diego Construction Cost Index and the Consumer Price Index for San Diego is shown in Tables 5 and 6 on page 13.

Since needed facilities are directly related to the community's growth rate, construction schedules of facilities are contingent upon the actual development Within the community. Therefore, any slowdown in community development will require a modification to facility schedules and a new cash flow will be prepared.

Table 5 Los Angeles/San Diego Construction Cost Index

As reported by *Engineering News Record (March to March)*

YEAR	CCI	% CHANGE/YEAR
2000	7056	3.28%
2001	7073	0.24%
2002	7440	5.19%
2003	7572	1.77%
2004	7735	2.15%
2005	8234	6.45%
2006	8552	3.87%
2007	8873	3.75%
2008	9200	3.68%
2009	9799	6.51%
2010	9770	-0.03%
2011	10,035	2.72%
2012	10,284	2.48%

Table 6 San Diego Consumer Price Index

(June to June)

YEAR	CPI	% CHANGE/YEAR
2000	179.8	4.72%
2001	190.1	5.73%
2002	195.7	2.95%
2003	203.8	4.14%
2004	211.4	3.73%
2005	218.3	3.26%
2006	226.7	3.85%
2007	231.9	2.29%
2008	242.4	4.56%
2009	240.9	-0.60%
2010	244.2	1.39%
2011	252.5	3.4%
2012	256.6	1.66%

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Table 7 Torrey Highlands Cashflow

FY	SFDU	MFDU	LMXU	CO	CLAC	INSTAC	ECTAC	$/SFDU	$/MFDU	$/LMXUAC	$/CAC	$/CLAC	$/INSTAC	$/ECTAC	INPUT $ PLUS INTEREST	PLANNED CIP $ EXPENSES	NET BALANCE	FY
PRIOR	1,610	721	9.6	1.72	3.24	6.93	15.86										$23,819,577	**PRIOR**
2013a	12	0	0	0	0	0	0	$128,753	$90,130	$1,039,037	$776,381	$230,468	$193,130	$692,523	$2,288,159	$0	$26,107,736	**2013a**
2013b	42	0	0	0	0	0	0	$95,277	$66,696	$768,888	$574,522	$170,546	$142,916	$512,467	$4,488,293	$19,554,976	$11,041,053	**2013b**
2014	14	0	0	0	0	0	20.83	$99,088	$69,364	$799,640	$597,501	$177,368	$148,632	$532,964	$12,853,698	$10,414,845	$13,479,906	**2014**
2015	23	242	0	0	0	0	0	$103,052	$72,139	$831,630	$621,404	$184,463	$154,578	$554,285	$20,264,588	$17,872,899	$15,871,595	**2015**
2016	23	0	0	34.5	0	0	0	$107,174	$75,024	$864,894	$646,259	$191,841	$160,761	$576,456	$25,407,191	$13,658,661	$27,620,125	**2016**
2017	2	0	0	0	0	11.09	0	$111,461	$78,025	$899,490	$672,110	$199,515	$167,192	$599,515	$2,940,950	$140,383	$30,420,692	**2017**
2018	3	0	0	0	0	0	0	$115,919	$81,146	$935,466	$698,992	$207,495	$173,879	$623,493	$1,243,086	$1,956,828	$29,706,950	**2018**
2019	0	0	0	0	0	0	0	$120,556	$84,392	$972,887	$726,953	$215,795	$180,834	$648,434	$895,615	$151,838	$30,450,727	**2019**
2020	0	0	0	0	0	0	0	$125,378	$87,768	$1,011,800	$756,029	$224,427	$188,067	$674,370	$563,914	$23,763,978	$7,250,663	**2020**
TO GO	119	242	0	34.5	0	11.09	20.83											
TOTAL	**1,729**	**963**	**9.60**	**36.22**	**3.24**	**18.02**	**36.69**								**$70,945,495**	**$87,514,409**	**$7,250,663**	**TOTAL**

*2013a – Current rates detailed in FY2010 Public Facilities Financing Plan.
2013b - New rates applicable upon effective date of this FY2013 PFFP update.

Note:

1) FY 2013 rates reflect a 26% decrease due to a revised development schedule, reduced cost escalator, and a revised construction schedule.
2) Values are rounded to the nearest dollar.
3) Annual inflation rate is 4% into perpetuity.
4) Annual interest rate is 3% into perpetuity.

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Public Facilities Financing Plan

Purpose

The **Public Facilities Financing Plan** is prepared to ensure that all owners of undeveloped property will pay their fair share of the funding required to finance the community's needed public facilities. The financing plan applies to all property owners seeking to develop property, even if the subject property has an approved tentative or final map detailing its development. The Public Facilities Financing Plan includes the following:

- Development forecast and analysis
- Capital Improvement Program
- Fee schedule for a Facilities Benefit Assessment.

This report will update the Public Facilities Financing Plan (Financing Plan) and the Facilities Benefit Assessment (FBA) for the development that is planned to occur in the planning subarea known as Torrey Highlands.

Transportation Phasing Plan

Torrey Highlands is being developed in conjunction with an adopted Transportation Phasing Plan. The Transportation Phasing Plan, shown in the Appendix beginning on page 133, provides a complete list of the required transportation projects. For a more detailed description of the scope of work, estimated timing as to when construction will occur, and anticipated sources of funding for each of the projects in the Transportation Phasing Plan, refer to the Capital Improvement Project sheets beginning on page 33. The Transportation Phasing Plan limits the issuance of building permits in Torrey Highlands until the listed transportation improvements have been constructed. The limitations of the Transportation Phasing Plan are established in the form of threshold conditions which must be met before development in Torrey Highlands is allowed to continue. The Transportation Phasing Plan was amended with the FY2010 Financing Plan update to allow residential development, at the start of phase four, in areas which are served by existing streets. FBA Project Numbers T-3.1A, T-3.1B, T-5.1, T-5.2, T-3.2A, and T-3.2B, which are all located south of SR-56, are not required to be built or assured in order to obtain building permits. The Transportation Phasing Plan was further amended in FY2013 to allow for future development of SFS (Santa Fe Summit) II and III Commercial Office space to apply for building permits; however, no certificate(s) of occupancy may be issued for the last 300,000sf of Commercial Office Space until project No. T-9, Torrey Meadows (formerly Street "B") Overcrossing is assured to the satisfaction of the City Engineer.

Development Forecast and Analysis

The development projection for Torrey Highlands is based upon the best estimates of the existing property owners, their land use consultants, and City staff. Certain economic factors could adversely affect these development projections. Higher interest rates, higher land and housing prices, an economic recession, and issues involving the transportation thresholds could slow or halt the development rate of Torrey Highlands. Conversely, a period of robust business expansion could significantly increase the rate of development. Indications are that the remaining development of Torrey Highlands will take place over a five-year period.

The projected schedule of development for Torrey Highlands is presented in Table 8 below. In this table, the number of units developed within a year refers to those applications having building permits issued (paid) during the July-to-June fiscal year. Therefore, the number of units or acres developed in 2013 refers to those for which permits were issued, with fees paid, between July 1, 2012, and June 30, 2013.

Since needed facilities are directly related to the community growth rate, construction schedules of facilities are contingent upon the actual development within the community. Therefore, any slowdown in the rate of community development will require a modification of the schedule for providing needed public facilities. In addition, the City may amend this Public Facilities Financing Plan to add, delete, substitute, or modify a particular project to take into consideration unforeseen circumstances.

Table 8 Torrey Highlands Development Schedule

FISCAL YEAR	SFDU	MFDU	LMXU	CO	CL	ECTC	INSTAC
PRIOR*	1610	721	9.60	1.72	3.24	15.86	6.93
2013a	12	0	0	0	0	0	0
2013b	42	0	0	0	0	0	
2014	14	0	0	0	0	20.83	0
2015	23	242	0	0	0	0	0
2016	23	0	0	34.5	0	0	0
2017	2	0	0	0	0	0	11.09
2018	3	0	0	0	0	0	0
2019	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0
TOTAL	**1729**	**963**	**9.60**	**36.22**	**3.24**	**36.69**	**18.02**
ACTUAL:	**1610**	**721**	**9.60**	**1.72**	**3.24**	**15.86**	**6.93**
TO GO:	**119**	**242**	**.00**	**34.50**	**.00**	**20.83**	**11.09**

* 93 single family units developed in Fairbanks Highlands are within the Torrey Highlands subarea but are not within the FBA area of benefit.

** Development figures shown for development beyond FY 2012 are based upon estimates.

Residential

The anticipated residential development for Torrey Highlands is estimated at 2,692 dwelling units. A list of the types and amount of planned residential development can be found in Table 1 on page 6.

Non-residential

The anticipated non-residential development for Torrey Highlands, estimated to be 103.77 acres, consists of commercial, mixed-use, employment center, and institutional. The non-residential development forecast was reduced in a previous plan update by 7.61 acres to reflect a reduction in the planned employment center acres due to right of way acquisition for SR-56. A list of the types and amount of planned non-residential development can be found in Table 1 on page 6.

Capital Improvement Program

Future Public Facility Needs

In order to better serve the Torrey Highlands subarea, public facilities are needed in a number of project categories. Those categories include:

- Transportation
- Parks and Recreation
- Fire
- Library
- Sewer/Water Lines (Utilities)

Project locations are depicted in Figure 2 on page 31. They are summarized in Table 9 beginning on page 28. The anticipated project descriptions can be found in the Capital Improvement Program (CIP) sheets beginning on page 33. The anticipated timing associated with individual projects is also summarized in Table 9 and on the corresponding CIP project sheets. Refer to Table 8 on page 18 for the current development schedule anticipated for the community.

Construction schedules of facilities are contingent upon actual development within the community because needed facilities are directly related to the community's growth rate. Therefore, any slowdown in community development will require a modification to the schedule by which needed facilities are planned. In addition, the City may amend this Public Facilities Financing Plan to add, delete, substitute, or modify a particular project to take into consideration unforeseen circumstances.

Fee Schedule for Facilities Benefit Assessments

Annual Review

The SDMC section 61.2212 of the FBA Ordinance provides for an annual adjustment of Facilities Benefit Assessments. The annual review may reflect changes to any of the following:

- Rate and amount of planned development
- Actual or estimated cost of public facilities projects
- The public facilities projects
- Inflation rates
- Interest rates
- Comparative analysis of City approved discretionary permits.

Updated Project Costs

This update includes an analysis, by each of the sponsoring City departments, of the project costs for each public facility project. The costs estimates shown in this update have been revised and consider the following:

- LEED "Silver Level" standards
- Impact of inflation
- Competitive bids on similar projects
- Modifications, if any, to the overall scope of the project.

Fee Schedule

The Torrey Highlands FBA Schedule in Table 4, page 12, shows the projected rate of assessment for each category of land use during each year of community development. For example, the assessment for a single-family dwelling unit developed during FY 2013 is $95,277. For the same period and each multi-family unit is to be assessed $66,696. The commercial assessment is $574,522 per acre, the limited commercial assessment $170,546 per acre, the employment center assessment $512,467 per acre, the local mixed use $768,888 per acre, while each institutional acre is $142,916.

Financing Strategy

The General Plan calls for impacts of new development to be mitigated through appropriate fees identified in the Public Facilities Financing Plans. Those impacts include impacts to public facilities and services, including the water supply and distribution system, sanitary sewer system, drainage facilities, fire protection, schools, streets, parks, and open space. According to Council Policy 600-28 such improvements are to be furnished and financed by the developer. As such, the developers will provide a majority of the needed public facilities for Torrey Highlands as a part of the subdivision process. Public facility projects that benefit a population larger than the local/adjacent development may be financed by using the following alternative methods:

Facilities Benefit Assessment (FBA)

This method of financing fairly and equitably spreads costs while following the procedures of San Diego Municipal Code Chapter 6, Article 1, Division 22, and California Government Code section 66000 *et seq*. A Facilities Benefit Assessment results in a lien being levied on each parcel of property located within the Areas of Benefit. The liens ensure that assessments will be collected on each parcel as development occurs and will be renewed annually with each update to the Financing Plan. The liens will be released following payment of the FBA.

For the current approved schedule of Facilities Benefit Assessments by fiscal year, refer to Table 4 on page 12.

Development Impact Fee (DIF)

Within urbanized communities, which are near full community development, Development Impact Fees (DIF) are established, increased, imposed, and collected in accordance with California Government Code section 66000 *et seq*. to ensure each development pays its proportionate share of funding needed for the public facilities projects and services necessary to serve new development. Consistent with previous Council direction, Development Impact Fees equal to current FBA assessments, are appropriate for all properties in all FBA communities that have never been assessed or otherwise agreed to pay Facilities Benefit Assessments. At the time of building permit issuance, the owner of the parcel being developed shall be required to pay a DIF that is determined by the type and size of the development permitted in accordance with the DIF schedule in effect at the time the building permit is issued.

Assessment Districts

Special assessment district financing, such as the Municipal Improvement Acts of 1913/1915, may be used as a supplementary or alternative method of financing facilities such as streets, sidewalks, sewers, water lines, storm drains, and lighting facilities. Assessment districts are beneficial in that they provide all of the funding needed for a particular public facility project in advance of the projected development activity. However, assessment districts also create a long-term encumbrance of the benefiting property and require that the funds be repaid over an extended period of time. Assessment districts also require the approval of a majority of the property owners in order to establish the district.

Community Facility District (CFD)

State legislation, such as the **Mello-Roos Act of 1982**, has been enacted to provide a method of financing public facilities in new and developing areas. A Mello-Roos is also known as a **Community Facility District (CFD)**. The formation of such Community Facility Districts may be initiated by owner/developer petition. Mello-Roos districts also require approval by a two-thirds majority of the property owners in order to establish the district, as clarified by Council Policy 800-3.

Developer Construction

New development either constructs required facilities as a condition of subdivision or provides funds for its fair share of the costs of such facilities, with construction being performed by the City. Typically, these funds are collected through the Facilities Benefit Assessment Program or through the Development Impact Fee program.

As an alternative to the Facilities Benefit Assessment or Development Impact Fee Programs it may be feasible for developers to construct one or more of the needed public facilities in a turnkey basis. Under this arrangement, developers typically are compensated, either by cash or credit against Facilities Benefit Assessments due, for the work performed pursuant to the conditions in a Council approved reimbursement agreement (Council Policy 800-12).

Reimbursement Financing for Water and Sewer Facilities

This method of financing is outlined in Council Policy 400-7. It is commonly used when the first developer/sub-divider in an area is required to construct the necessary water and sewer facilities for an entire developing area. These agreements are approved by the City Council. Reimbursement to the first developer/sub-divider can occur over a period of time as long as 20 years or until all of the subsequently developed lands have participated in the reimbursement, whichever occurs first.

State/Federal Funding

Certain public facilities may be determined to benefit a regional area that is larger than the community planning area. Such projects may be appropriately funded by either the State, Federal Government, or by a combination of the two. The first phase of State Route 56 (project T-1.1), for example, has been shown in this financing plan as having State funding.

Cost Reimbursement District (CRD)

Occasionally, a developer/sub-divider is directed to construct public improvements that are more than that which is required to support its individual property/development. A **Cost Reimbursement District (CRD)** provides a mechanism by which the developer/sub-divider may be reimbursed by benefiting development which proceeds within 20 years of formation of the CRD. Reimbursement is secured by a lien on the benefiting properties with the lien due and payable only upon recordation of a final map or issuance of a building permit, whichever occurs first.

Development Agreement

This method permits a developer to enter into an agreement with the City of San Diego where certain rights of development are extended to the developer in exchange for certain extraordinary benefits given to the City.

General Assumptions and Conditions

In connection with the application of the above methods of financing, the following general assumptions and conditions will be applied:

1. Except for those projects that are identified as FBA funded, developers will be required to provide facilities that are normally provided within the subdivision process as a condition of tentative subdivision map approval. These projects include but are not limited to traffic signals (except as noted), local roads, and the dedication or preservation of Open Space located within the proposed development(s). A Mello-Roos 1913/1915 Act, or other type of reimbursement district, however, may fund such projects if the project(s) and applicant(s) qualify for this type of project financing.

2. Commercial, industrial, and institutional land will be assessed FBAs for infrastructure (including transportation), fire, and utility facilities. However, developers of commercial, industrial and institutional land will not be assessed for park and recreation or library facilities since those facilities primarily serve the residential component of the Torrey Highlands subarea. In the future, if a basis is developed for charging non-residential development for the cost of park and recreation and library facilities, their fair share can be evaluated at that time.

3. Annual reviews may be performed to evaluate performance of the program and to consider the continuing commitments related to the completion of needed facilities. Project costs and assessments shall be evaluated for all portions of the program.

4. The developer, or permittee, shall pay the FBA as a condition of obtaining building permits.

5. A developer, or group of developers, may propose to build or improve an FBA funded facility that is identified in the Capital Improvements Program. Upon City Council approval, the developer(s) may enter into an agreement to provide the facility in lieu of, or as credit against the payment of FBA fees, provided that adequate funds are available in the FBA fund. The amount and timing of the credit being sought by the developer(s) must coincide with the expenditure of funds depicted on the CIP sheet for the respective project. Should the approved, final cost of the facility exceed the amount of credit being sought by the developer(s), the developer(s) may be reimbursed from the FBA fund for the difference, subject to the approved reimbursement agreement and the availability of funds. If two developers are entitled to cash reimbursement during the same fiscal year, then the first agreement to be approved by the City Council shall take precedence over subsequent agreements approved by the City Council.

6. As FBA assessments are collected, they shall be placed in City funds that provide interest earnings for the benefit of Torrey Highlands.

7. The Development Schedule shown in Table 8, page 18, is an estimated schedule based on the latest information available at the time this financing plan was adopted. Future approvals and/or modifications of precise plans and/or discretionary permit applications may either increase or decrease the extent of development proposed within Torrey Highlands.

8. Most public facilities identified in the financing plan are either "population based" or "transportation based". The estimated year(s) in which funds are budgeted for a given project should not be considered as a binding commitment that the project would actually be constructed in that year. With each annual update, actual permit activity and corresponding population projections, coupled with additional traffic study information obtained since the last update, will be evaluated to determine the most appropriate year in which to budget the need for each remaining project. As such, the budgeted year for a given project is subject to change with each update to the financing plan. In addition, the City may amend this Public Facilities Financing Plan to add, delete, substitute, or modify a particular project to take into consideration unforeseen circumstances.

9. In many cases, roadways located within Torrey Highlands will be the responsibility of the developer/sub-divider and are not reflected in the FBA calculations.

10. It has been assumed that a large majority of the cost necessary to construct SR-56 will be provided from funds other than the FBA, e.g. TRANSNET, State or Federal (ISTEA) Highway funds, and/or toll road funds, etc. The main exception to this is the State Route 56/Camino Del Sur Interchange, which is mostly FBA funded.

11. For projects that require land acquisition in this financing plan, property value estimates assume that the property is graded, in finished pad condition, and "ready to accept" for the project for which it is intended (i.e. the value of raw land plus the cost of improvements/environmental mitigation.). The actual price paid for land within Torrey Highlands will be based upon either a price established through direct negotiations between the affected owner(s) and relevant public agency or by fair market value, as determined by an appraisal that will be prepared in accordance with standard City policy.

12. It has been assumed that all costs for open space acquisition will be provided from funds other than the FBA, i.e. subdivision requirement, off-site mitigation for a particular project, etc.

13. FBA fees shall be paid by all categories of private development, including affordable housing projects.

Developer Advance

It is anticipated that a number of the projects, which have been identified as being FBA-funded, are to be constructed by developers in Torrey Highlands. Subject to the terms of a reimbursement agreement, a developer may actually start construction of a project before there are sufficient FBA funds available to provide either cash reimbursement or credit against the developer's obligation to pay FBA fees. In other words, the "need" for the project may occur before there are FBA funds available to cover the cost of the project. The project sheets indicate the fiscal year in which it is anticipated that funds will be available to reimburse or when the developer would take credits against their obligation to pay FBA fees. Subject to the availability of funds, the year(s) in which reimbursement or credit for the developer advance occurs may be accelerated to the fiscal year in which the developer advance is extended.

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